

MEETING MINUTES
Office of Economic Development
Economic Development Advisory Board
57 E. 1st Street, Mesa, AZ 85201
Lower Level Council Chambers

Date: May 4, 2021 Time: 7:30 AM

***The meeting was conducted via Virtual Platform with options for public participation.
Some items were taken out of order.***

MEMBERS PRESENT

Jim Kasselmann, Chair
Rich Adams, Vice Chair
Brian Campbell
Deb Duvall
Matt Likens
Christopher Nickerson
Natascha Ovando-Karadsheh
Dominic Perry
Brad Wilson

EX-OFFICIO

Mayor John Giles (Excused)
Chris Brady, City Manager (Excused)
Sally Harrison
Jeffrey Pitcher
Jennifer Zonneveld

STAFF PRESENT

William Jabjiniak
Jaye O'Donnell
Lori Collins
JD Beatty
Chris Molnar
Maribeth Smith

MEMBERS ABSENT

None

GUESTS PRESENT

Chris Camacho, GPEC

1. Chair's Call to Order

Chair Kasselmann called the Economic Development Advisory Board meeting to order at 7:30 a.m.

2. Items from Citizens Present - None.

3. Approval of Minutes from April Board Meeting

Chair Kasselmann called for a motion to approve the minutes from the April 6, 2021 meeting.

Brian Campbell moved to approve the April 6, 2021 minutes as presented; seconded by Christopher Nickerson.

AYES – Kasselmann, Adams, Campbell, Duvall, Likens, Nickerson, Ovando-Karadsheh, Perry, Wilson
NAY – None

Chair Kasselmann declared the motion carried by unanimous vote.

4. Hear a presentation on Greater Phoenix Economic Council Accomplishments

Chris Camacho noted that Mr. Beatty provided a great presentation and that GPEC is a strong advocate of the PIRATE Project. He mentioned he could spend his whole presentation talking about industrial activity and specifically as we are seeing more advanced electronics, semiconductor activity, some defense, some aerospace, some electric vehicles – that industrial segment is as active as it has ever been in all his years at GPEC. Kudos to those that have been working on this initiative with the Chamber, Bill, and his team, as it's pivotal for us to have site readiness specifically with rail access for large industrial swaths that have water, wastewater and electrical capacity.

The City and GPEC's partnership go back quite a few years. Mr. Brady serves on GPEC's Executive Board and as I think back on the history that we've have had together, about 12 to 13 years ago we talked about Mesa's resurgence in the commercial and industrial sector and a jobs-based plan. I think through all the corridors that have evolved from Falcon to Riverview, Downtown, the Fiesta District, and Southeast Mesa; I am seeing marked change and community readiness that has enabled the City of Mesa, with a really developed strategic plan on infrastructure, take advantage of the size of community that Mesa is. The number of transactions that I will talk about today is predicated on Mesa's planning capacity going back a decade or more.

GPEC's focus is business development. We go outside the region to try and recruit companies from around the world. There are roughly 250 plus companies in our pipeline right now that are considering the region. From a branding perspective we spend a lot of time talking to national media positioning the region as an attractive place to do business, raise a family, the quality-of-life attribute, the recreational attributes and simply selling the region to the media. We spend a lot of time in California. Roughly a third of our pipeline comes from that market for both headquarters and advanced manufacturing. Lastly, we strive to ensure that the region maintains a competitive position on everything from economic policy to water planning to community infrastructure tools to tax policy. A lot of people think economic development just happens, but it is really several years' worth of planning across a multi-faceted number of ingredients. So, everything from the start up community, launching and scaling companies, to ensuring that you have the right infrastructure. At the regional level we work to ensure public policy makers at the state level understand state-wide competitiveness issues. We are constantly competing with Texas, Utah, Colorado and these other markets across the US and we must understand our market as well as we understand our competitors. We spend a lot of time on member research requests, and have cultivated a really strong research, analytics and data science team that helps us prepare for those kinds of questions in advance.

A quick look at metrics from July through June FY21, we are trending right above 250 projects currently, 22% of those come from international locations, most notably out of Canada and the western European market and then most recently with TSMC that is going to north Phoenix. That project was a three-and-a-half-year process that will now manifest roughly two dozen supplier companies that will need rail, air quality measurements and vast power requirements. 28 companies have located with \$654.5 million in capital investment, 5,589 jobs (excluding TSMC) and \$81,454 average high wage salary. Arguably, we have seen labor rates continue to rise across the region and it has made a more competitive market. In addition, wages and household income have gone up which is a very positive attribute while we are diversifying the economic base.

We carry a very strong project load. When I refer to projects, those are qualified companies which have been approved through the capital committee of the firm that have an 18-month strike time to make a decision whether it is to come here or go someplace else. Chris commended the impeccable work of the Mesa city staff on some recent difficult projects.

Chris shared the regional results and noted that they are focused on return on investment and continue to go out and sell the region, bring new prospects, and continue to do the branding and marketing work. In the last few years, he has really tried to ensure their research and analytics team has the capacity to support very specific community requests. That might include assessing real demand by the number of projects in the pipeline over the last five years to help submit letters of support for the PIRATE type projects or it might be a strategic corridor strategy to understand the land usage and specifically what type of a demand we have in our pipeline to help our communities. We are working on a custom project with Mesa right now - how does the supply chain support Mesa drawing more of that chain to the community.

The Mesa 5-Year trend on revenue return is 50:1. For every dollar that Mesa puts into GPEC, the number of projects that land in the trade area in and around Mesa that drive individual residents to take advantage of those employment opportunities is what drives direct revenue back to the community. We are focused on the direct revenue methodology to support communities. We pride ourselves on providing direct return on investment to our communities and have a third party evaluate it.

GPEC assisted in 204 locates in Greater Phoenix in the last five years, including 11 in Mesa, creating 795 jobs and \$474 million in capital investment. The Canadian electric vehicle company selected Greater Phoenix and Mesa over a number of other cities and states across the country. The two distinguishing factors that allowed our market to win was the City of Mesa's responsiveness and problem-solving capabilities and an integrated mobility pilot into that aligns with the work we are doing with smart cities and smart technology (region coming together to further smart technology).

Speaking to GPEC and the City of Mesa collaboration, we complete a three-year strategic plan and every year we do an annual action/business plan that has enabled a strong integration between the Board Members and Economic Development Directors and their teams. In addition, we have continued to find ways digitally to expose our cities to the national consulting teams that run major projects such as Consultant Connect.

The FY22 Action Plan is to maintain a top shelf, best in class regional economic development organization. This past year we were fortunate enough to be recognized as the number one Economic Development Group in the United States by the International Economic Development Council. In large part it was our execution of the public and private partnership we have been able to maintain, but it was also that we are fearless and ambitious about the region and what we expect. We are going to keep moving the ball forward, working with this Governor and ultimately the next Governor along with the Legislature, and our hope is that we keep making the region more dynamic and insulate us against downturns like we saw in 2008. The data shows we are much more economically diverse from a jobs picture than we were 10 years ago. My goal is that we continue to build upon that and over the next 10 years we become even more diverse economically and continue to see the growth of our emerging technology sector that is really burgeoning in the region.

Chair Kasselman thanked Mr. Camacho for his presentation.

BOARD QUESTIONS/COMMENTS

Bill Jabjiniak thanked Chris Camacho for his comments and presentation, we continue to do some great things together and he appreciates the partnership. We have had a fantastic year in terms of number of prospects and meeting our goals but talk a bit about the mix of product you are seeing and how the need for higher wage jobs translates into the need for office and how that market has fallen off to a degree. Talk about what you are seeing in the industrial side also since we are seeing so much of it, what size properties, etc. Mr. Camacho responded that in a normal year 60% of the net new deal flow is on the office front, both technology, corporate services, and so forth, leaving about 40% in the industrial market. Today that is about 68/32 percent split towards industrial. In the last year we have seen much more industrial activity – roughly 10 to 12 million square feet of new spec coming out of the ground. One of the major trends on the industrial side has been front loaded distribution space that has begun to be absorbed significantly but we are seeing more products still coming in 2021 and I think that will continue on the industrial side as we're an outlet for the Inland Empire. The office side is still in an unknown space today, I think you will see office come back in full force later this year and into next year. It will be different because the hybrid return to office is going to reshape the way users think about their tenancy; however, I also think there is an X factor that is unknown right now which is what is happening in India and those other foreign markets where we are seeing rising cases of COVID. Travel bans and anything else that could potentially slow down the dissipation of coronavirus could elongate the office recovery. He is hearing mixed responses from office brokers.

Vice Chair Adams thanked Chris for his presentation. On the fiscal year overview of wages is that the difference between the region and what the wages are here in Mesa? Chris responded the difference on those two numbers is the \$81K is the high wage category which is 130% of the median wage, any project that comes in that meets that wage component gets triggered into our high wage category. Others are below 130% median wage is categorized as all jobs. The reference there of \$81K average high wage is the region's high-wage segment and different from total wages.

Natascha Ovando-Karadsheh thanked Chris for his presentation and all you do for the region. One of the things that she sees on the ground is so many people moving here from outside markets but who are not actually employed here. They are working from home for other major markets. That is a really great workforce story that I think we can tell going forward. How do we capture that, and do you have a strategy for looking at a shadow workforce of high-skilled high-wage employees and finding a way to convert them into local jobs? They are earning well and living here but their income taxes are going elsewhere. I do not think the numbers even show yet just how many people are moving here on a monthly basis, it is just incredible.

Chris responded the challenge is a lot of the data that you reference comes in arrears in terms of how many people moved here last year and the trends that COVID has led us to look somewhat artificial. People from other high tech or high-cost markets have been given the freedom to relocate either temporarily or long-term to a new location that may be more affordable with a higher quality of life. What we don't know yet is will that to be a staying trend. What we are hearing from a lot of tech companies, such as Silicon Valley based companies, is that their engineering teams and non-customer facing teams have been allowed to, as teams, relocate elsewhere. The question is when return to office occurs, either in hybrid form or full return, does that ultimately enable those employees to stay in that primary or new location? About three months ago we launched a very aggressive, intense, led by data, marketing automation campaign in the LA basin around advanced manufacturing, because that is where a lot of the activity was. Coming up at the end of May through August is the most intense Northern California campaign all focused on technology, headquarters, and corporate services. It is not really a talent attraction message, but it is about the value of the dollar message. To your point, when I talk to housing supply demand, the appreciation of home values is not built on an overbuilding model right now, we are actually unable to build the kind of product needed to meet demand. The reality is the supply demand is really in check today from the safety and health of the economy perspective.

Chair Kasselmann inquired about the 68/32 percent industrial versus office split. For comparison what do you think that was three years ago? What percentage was industrial versus office? What is the scope of the shift? Chris responded three years ago that would have been roughly 60% office and 40% industrial. In a normalized year those are the numbers we see. From 2013 to 2019 that was fairly consistent plus or minus five percent.

Sally Harrison appreciates the campaigns you are running. She inquired how can Mesa and GPEC work together more in the future? Chris responded that anything economic development or brand related either preservation or elevation give him a call and they are happy to support anything you are doing on the ground in the community as you are interfacing with employers, small and large businesses. We have a lot of Chambers across the region, but Mesa is one of the larger ones. Anything you see that we can be better aligned on, forward that information to him to support efforts.

Jeff Pitcher inquired we have talked about infrastructure and how important it is in the region in the past. Now that we have President Biden really focusing on that, how will that translate into Arizona? Chris responded, there are couple of things that are going to happen. First of all, the Rescue Act monies coming into the state at both state level and county level total \$870 million dollars in two increments starting May 11 and then many localities will see dollars. Treasury hasn't released yet how those dollars can be spent so we have been working with the country and other partners on different options at this juncture to

ensure that these dollars can be spent wisely and in a sustainable way over time. In relation to infrastructure and the debate in Washington around the dollar amounts. We have been talking to the Department of Transportation as well as Commerce to grasp if this will be more like the readiness programming under Obama when projects were ready, they were submitted, and it was like they will fund everything they can predicated on those projects that were shovel ready or if it will be done in a different kind of manner. That has not been made clear yet. We could see \$6 trillion dollars out on the market in 18 months between PPP, Rescue Act and now if the infrastructure bill goes as planned, a massive amount of capital. We have looked at whether GPEC should hire a consultant group to help our communities navigate that process. There will be so much capital and questions of if we will get our fair share of those resources. We are evaluating whether we should be diving in deeper, we just don't know yet. We have work to do on that if it passes.

Chair Kasselmann thanked Chris for joining us, his enlightening updates and context and perspective on what we should be paying attention to moving forward. You mentioned the City of Mesa's development competitiveness and Mesa's responsiveness has been noteworthy and that speaks highly of the City, Mayor, Council, Bill, and his staff. That was great to hear. The growth over the past two to three years has really been remarkable, continue to push that path forward.

5. Hear an Update on the Pecos Industrial Rail Access and Train Extension (PIRATE)

JD Beatty provided an update on the Pecos Industrial Rail Access and Train Extension project, better known as the PIRATE project. We have made a lot of progress since the last update. PIRATE is located just south of the Phoenix Mesa Gateway Airport and extends from the existing Union Pacific main line along Rittenhouse Road all the way to our eastern border near CMC Steel, Fuji Film, Mitsubishi Gas Chemical, and others. It is a six-to-seven-mile rail spur off the main rail line to serve industrial customers. This has been a very strong public/private partnership since the beginning. Sally Harrison with the Mesa Chamber of Commerce has been a key part of the process as well as the City, Union Pacific, CMC Steel, Fuji Film, Pinal County, Queen Creek, SRP, and MAG. We have really had a lot of public support.

The latest route has emerged from a lot of negotiation with public and private owners of the area and is not 100% final. The line comes up from Rittenhouse and crosses over Pecos and Sossaman, follows the fence line of Phoenix Mesa Gateway Airport and crosses over properties owned by several large property owners. Negotiations are ongoing between Union Pacific and the property owners, which is not an easy process and the bulk of the efforts over the last year. Moving east crossing Ellsworth it is a straight line from Ellsworth through Crimson over to Signal Butte to CMC Steel. In August of last year CMC Steel announced a huge expansion. The PIRATE project will not only serve existing industry but would also open several thousand acres of land for rail served development.

Why rail and why here? Mesa has existing heavy industry at the end of this line to serve, but it is also the 2,000 plus acres of land this will unlock to be rail served. There aren't any rail served sites in the East Valley that any industry would be able to find and only a few in the west valley and Phoenix. We have started to see a huge influx of rail interest in the last six to eight months. While we had a lot before, we are seeing even more now. A lot of that interest, I believe, is due to the TSMC project. Some large projects that are looking in that area are only looking because there is a chance that rail could be there. When you combine roads, runway, rail, and rivers – we have three of the four multi-modal capabilities.

Public safety would be improved as well. Right now, CMC Steel is loading 4,000 trucks a month with rebar and steel from their facility. About 1,000 of those truckloads currently go to downtown Phoenix and are transloaded, shipping product throughout the southwest. These are heavy trucks that damage roads and are public safety issues. With this rail spur, those 1,000 truckloads would no longer be on the roadways. Local industries would be able to take chemicals off the roads as well. It is statically accurate that rail is a safer way to transport those goods than roadways and decreases traffic in the long run.

A timeline of the project was shared: 2016 to 2019 – Stakeholder & property owner outreach, coordination & factfinding; May to December 2019 – RFP for consulting issued, Rounds Consulting, MODE Public Affairs & ECONorthwest engaged and funded by SRP, Pinal County and CMC Steel; March 2020 – Economic Impact Analysis completed; June 2020 – Submitted for 2020 BUILD Grant & CRISI Grant; October 2020 – Notified by USDOT of unsuccessful bids, received “recommended” rating; April to July 2021 – Refine project narrative and grant submittal for Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant.

The cost of the project has increased to approximately \$88 million, which is up from last year’s \$59 million, some of which includes an increase in land prices. The construction timeline is estimated to be 12 to 16 months, target Q3 - Q4 of 2023 for project completion. This timeline is on track for expansions and new large projects that have a need for rail in this area.

Where are we going and what are the immediate next steps? Union Pacific is currently working on securing property/options for the physical path and route with assistance from the City and partners. By and large we have most of the route and property owners on board with the location. Union Pacific continues to work on the engineering and design to present to the Surface Transportation Board, the Federal oversight that provides guidance on the project. Gathering further support and buy-in from stakeholders to strengthen RAISE Grant application.

The Board members thanked JD for the presentation and update.

BOARD QUESTIONS/COMMENTS

Chair Kasselmann asked what are the big challenges ahead to bridge the project increase gap and is there any way we can help? JD Beatty responded that this year’s emphasis is on the RAISE Grant which is a bigger gap funding mechanism; however, we are very open to other ideas of funding. There are still other options. If a new industry lands in the area, for instance, we build up a critical mass of private development that needs rail and that helps the business case for Union Pacific and others. That is one thing we are actively pursuing – getting out there, selling rail and PIRATE, and finding the groups that need the rail to happen.

Mr. Nickerson thanked JD for the great presentation and asked if the State Route 24 extension will impact this work or visa versa? JD Beatty advised the State Route 24 extension is quite a bit north. It will not cross paths, but it is complementary, running fairly parallel about a mile and a half to the south. The construction and timing should not impact each other to my knowledge.

Bill Jabjiniak inquired about the timeline for the grants and responses. JD Beatty advised the deadline to submit for the RAISE Grant is July 12, 2021. There is not an official date given for responses to be received, but last year we submitted in June and heard back in October. Submitting in July we should hear back between October or November if we are successful. It does take a little while for ADOT to get back.

Chair Kasselmann thanked JD Beatty for the presentation and updates.

6. Hear an Update on Foreign Trade Zone Activities

Bill Jabjiniak thanked GPEC and those involved, past and present, for all they have done to raise Mesa’s profile and keep him, and the elected officials informed from a national and regional perspective as we continue to grow in the right direction. With our growth comes a surprise of two new GPEC Board Members beginning in September, we will increase from three to five.

We are seeing an increase in Foreign Trade Zone (FTZ) activity, which is good sign. A Foreign Trade Zone designation with duties and fee waivers is very beneficial. Unique to Arizona is the property tax

reclassification. The reclassification to five percent gives us another economic development tool that people do not realize is out there; however, all taxing entities must agree to the reclassification and a lot of work goes into obtaining that. Bill mentioned three Foreign Trade Zone activities that are going before Council in June. The first one is a simple operator's agreement for CMC Steel. Secondly, the Foreign Trade Zone Board adopted an Alternative Site Framework (ASF) to manage our sites. Traditionally, our Foreign Trade Zone has been very much geographically identified. The ASF designation allows us more flexibility to use a much simpler, faster minor boundary modification procedure to designate locations where companies are ready to use that Foreign Trade Zone. Being able to move quickly is going to be much more important for us to stay competitive. We are requesting to change the standard format to Alternative Site Framework. The third thing we intend to update is our zone schedule which includes fees and will be a little more involved. We must post the changes for 60 days, but we will introduce in June as well.

BOARD QUESTIONS/COMMENTS

Vice Chair Adams thinks it is wise to have the ability to move and respond more quickly. He is all for it and we are well advised to do so to keep competitive. Bill responded that some FTZs are already under the ASF and it puts us at a little bit of a competitive disadvantage to not be there. Creating subzones takes longer.

7. Director's Report

Bill Jabjiniak remarked on a few of the recent press releases to get the word out and continue to tell the story of the successes that are happening in the Mesa. Chris Camacho referred to different types of marketing and we don't always think about and the lifestyle campaigns, but that is a big story to tell. Publicizing our small business activity, the branding of Mesa and the tech corridor is important and there will be a continued push on articles. AZLabs is hosting an Arizona Defense & Space Technology Expo event on May 7th with a keynote from Senator Mark Kelly. May 11th is the ElectroMeccanica groundbreaking. Watch for a press release on a 1.1 million square foot speculative industrial development just west of the 202 on Elliot Road. A virtual groundbreaking took place and was covered on social media.

BOARD QUESTIONS/COMMENTS

Matt Likens stated it is great to hear the recognition that the City of Mesa is receiving throughout the region. He had the same experience with a previous start up who was looking for a new light manufacturing location and was so impressed with the nimbleness of the team. What we have seen personally is now being seen more broadly. Matt wanted to commend the team for the work that they do.

Vice Chair Adams noted that when he is on social media, such as LinkedIn, and sees something from the Office of Economic Development or anyone involved, he pushes that post out to his 1,200 contacts. If each of us do this, it expands the story even more.

Bill Jabjiniak appreciated the comments and concurs with Vice Chair Adams of the importance of getting the word out on Mesa projects/initiatives.

8. Other Business

The next EDAB meeting will be held on June 1, 2021, 7:30 AM.

9. Adjournment

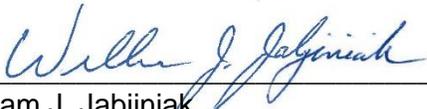
Chair Kasselmann called for a motion to adjourn.

Natascha Ovando-Karadsheh moved to adjourn the April 6, 2021 meeting at 8:35 a.m. seconded by Brad Wilson.

AYES – Kasselmann, Adams, Campbell, Duvall, Likens, Nickerson, Ovando-Karadsheh, Perry, Wilson
NAY – None

Chair Kasselmann declared the motion carried by unanimous vote.

Submitted By:



William J. Jabjiniak
Economic Development Department Director

(Prepared by Beth Ann Schuster-Moore)